BB Healthcare Trust

Monthly News
April 2021

Marketing document

As at 04/30/2021	Value	1 Month (April)	YTD	Since Launch (ITD)
Share	196.60	3.7%	12.3%	122.5%
NAV	192.74	3.0%	11.6%	118.6%

Sources: Bloomberg & Bellevue Asset Management (UK) Ltd., 30.04.2021, NAV and share price returns are adjusted for dividends paid during the period (but not assuming re-investment). Full performance data is on page 5.

Note: Past performance is not a guide to future performance. The value of an investment and the income from it may fall as well as rise and is not guaranteed.

Welcome to our April adduction. Navigating the transition toward a more 'normal' societal outlook remains challenging, with a macro/thematic approach continuing to hold sway over bottom-up, stock specific considerations. Fundamentals and valuation seem increasingly abstract concepts to Wall Street analysts, and we find ourselves yearning for some sane interactions on the way forward beyond the next reporting date.

Notwithstanding the consensual corbel that perpetuates the narrative "buy elective exposure", we are trying to focus on something more substantial than who will beat the next quarter's "whisper number". The long-term opportunities in healthcare transformation are huge; surely that is where one should be concentrating.

Summary

BB Healthcare Trust Ltd is a high conviction, unconstrained, long-only vehicle invested in global healthcare equities with a max of 35 stocks. The target annual dividend is 3.5% of NAV and the fund offers an annual redemption option. BB Healthcare is managed by the healthcare investment trust team at Bellevue Asset Management (UK) Ltd.

Monthly review

The wider market

During April, the MSCI World Index rose 4.3% (+4.5% in dollars). The broader 're-opening' thematic has continued to gather momentum, with the ongoing Q1 21 reporting season providing additional impetus. It has been a strong quarter for the market overall, with around 70% of America's S&P500 companies thus far reporting EPS beats.

There have inevitably been more positive earnings surprises and guidance raises in sectors influenced by consumer sentiment or the economic cycle, than in classical defensive growth sectors such as healthcare: Financials, Technology and Materials have led the beats, followed by Consumer Discretionary and Media & Entertainment.

Unsurprisingly then, it was Media and Entertainment (+8.7%), Retailing (+8.3%) and Diversified Financials (+7.3%) that led the sector performance table, with staples like Energy (+0.5%), Household & Personal Care (+1.4%) and, more surprisingly, Automotive (+0.8%) that lagged (ex. Tesla, Automotive would have been down ~2%). The drive-by disappointment is probably more linked to the newsflow that a number of major OEMs are capping production due to microchip shortages than any consumer fripperies; it is not that people don't want to buy new cars, it is that they cannot buy them in the hoped-for numbers.

Earnings surprises are, by definition, unexpected: one must beat consensus from two weeks prior by one standard deviation to be classed as a surprise. Have these been rewarded in share price terms? The correlation of best performing sectors to most surprises would suggest so, but it is not always the case. Investors continue to rotate their holdings as befits the macro narrative, so beats are not necessarily rewarded (notably in Financials and Technology), and this was also the case in Healthcare.

Healthcare

The MSCI World Healthcare Index rose 3.5% in sterling terms during April (+3.5% in dollars), underperforming the wider market by 0.7%. In many ways, this is as expected given the points made above.

Healthcare has done well, but much less well than the overall market, especially when Diversified Therapeutics, the largest sub-sector by weighting, was widely expected to struggle to match consensus expectations (and so it proved to be, with a few notable exceptions). Indeed, drug companies and distributors made up the bottom four sub-sectors during the month (Figure 1).

These stocks seemed to barely react to an 'as good as anyone could have expected' outcome from part two of the Biden infrastructure proposal, with both Medicare eligibility expansion and Medicare drug pricing negotiation not making it into the final proposal (announced on 28th April). We expect this cloud of negative sentiment to persist for some months yet.

The strong Services performance was driven by the (rather surprising) acquisition announcement that Tools conglomerate Thermo Fisher was buying the contract research organisation ('CRO') PPD. It's not quite RJR-Nabisco, but the synergy argument does not seem compelling to us: why does one need to acquire in the fastest growing customer segment of one's own business?

Regardless, the deal seemed to drive the share prices of other CROs such as IQVIA and West Pharmaceutical Services higher. Again, it is not really clear to us why one odd deal makes the likelihood of another odd deal higher, but these are strange times indeed.

Dental stocks and Diabetes devices such as pumps and sensors (in Healthcare Technology) were the other top performers. The endless Zooming has seemingly made us more self-conscious about our smiles and, given all the sedentary solecism of enforced lockdowns, it would be a brave man indeed to call the peak of the diabetes epidemic just yet (as an aside, there is emerging evidence that symptomatic COVID-19 can induce both Type 1 and Type 2 diabetes in certain patients).

BENCHMARK SUB-SECTOR PERFORMANCE AND WEIGHTINGS

Sub-Sector	Weighting	Perf. (USD)	Perf. (GBP)
Services	2.6%	13.0%	12.7%
Dental	0.8%	11.0%	10.7%
Healthcare Technology	0.8%	9.3%	9.1%
Other HC	1.4%	8.8%	8.6%
Tools	7.8%	8.1%	7.9%
Med-Tech	15.8%	7.3%	7.5%
Facilities	1.2%	6.4%	6.2%
Managed Care	9.5%	5.7%	5.5%
Focused Therapeutics	8.1%	4.0%	3.7%
Healthcare IT	1.6%	2.9%	2.8%
Diagnostics	2.5%	1.5%	1.4%
Diversified Therapeutics	33.3%	0.8%	0.5%
Conglomerate	12.7%	0.2%	0.0%
Distributors	1.3%	-1.2%	-1.4%
Generics	0.5%	-3.8%	-4.0%
Index perf.		**3.7%**	**3.5%**

Source: Bloomberg/MSCI and Bellevue Asset Management (UK) Ltd. Weightings as of 31-03-21. Performance to 30-04-21.

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Returning to the theme of positive surprises during earnings, it was Tools and Managed Care that led the way, with Pharma and Biotechnology the laggards. Diagnostics companies were another surprise disappointment, with de-stocking in the COVID testing supply chain well underway and some caution as to where real demand will settle out. This has all happened somewhat faster than consensus expected, but this is what inevitably transpires when governments offer blank cheques – everyone over-buys.

Managed Care is again worth a mention. Yes, these companies keep beating earnings, but why was anyone actually surprised? The pandemic has created a now well-established pattern: the analysts slavishly follow guidance, which is conservative and full of provisions. The companies beat handsomely and then fail to raise guidance commensurately and everyone seems disappointed.

This is not rocket science: the PR 'optics' of super-normal profits amidst a pandemic are clearly not great, and doubly so for a highly regulated industry that gets half its income from the Government. Risks are further magnified whilst the Democrats are in charge. Keep your head down and make bank is the play, and they are doing it, oh so well. They deserve a higher rating.

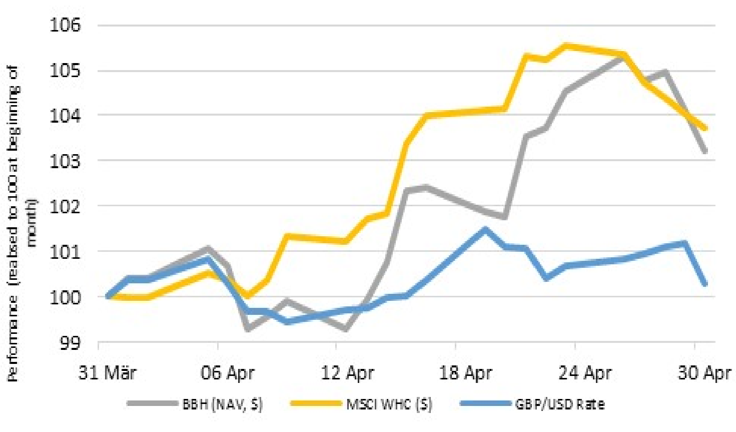
The opposite is surely true for facilities operators. Are hospitals back to normal yet? Not quite. Can they operate above 100% of normal capacity when they do? Not obviously. Have they paid down their massively leveraged balance sheets compared to pre-pandemic times? Funnily enough, no. Will they get hit financially if there is another COVID wave? Yes. Why then are they trading at 10-year highs on forward multiples? Again, we will return to this broader theme in the second half of the factsheet.

The Trust

April again saw us deliver a solid absolute return, but modestly underperform the comparator MSCI World Healthcare Index, amidst yet another frustratingly macro-driven sector dynamic. As noted in last month's factsheet, we expected this to be a difficult period, but, the perplexing peregrinations of sub-sector sentiment exceeded even our expectations. Our take on the reasons for this are further articulated in the next section of the factsheet.

The Trust's net asset value rose 3.0% in sterling to 192.74p (+3.2% in dollars). The evolution of the NAV in US dollars over the month is illustrated in Figure 2 below. Within our own portfolio, it was Managed Care that contributed the most to cumulative performance and Focused Therapeutics was the main detractor, with an aggregated negative return of ~200bp over the month; a significant divergence from the comparable benchmark sub-sector.

Within this grouping, the aggregated reporting for Q1 21 was positive and the fundamentals for these holdings are unchanged. Our Diversified Therapeutics holdings also declined in absolute terms, but the relative performance delta to the benchmark grouping was less material than for Focused Therapeutics.



Source: Bloomberg/MSCI and Bellevue Asset Management (UK) Ltd.

The evolution of our sector weightings is illustrated in the table below (Figure 3); we continue to move away from our significant weighting toward Therapeutics, in favour of a more diversified portfolio of sub-sector exposures, although our appetite remains constrained by concerns over valuations and elevated expectations in certain sub-sectors. We expect Therapeutics to continue to decrease as we allocate further capital to other sub-sectors.

The increased exposure to Healthcare IT and Healthcare Technology reflects active allocations to these sub-sectors, following stock-specific valuation "resets" to levels which make investments attractive once more. Managed Care has risen modestly, as strong performance has been offset by some profit-taking. Services and Tools have risen predominantly as a consequence of performance.

EVOLUTION OF PORTFOLIO WEIGHTINGS

	Subsector end Mar 21	Subsector end Apr 21	Change
Diagnostics	3.2%	3.2%	Unchanged
Diversified Therapeutics	15.9%	14.7%	Decreased
Focused Therapeutics	28.2%	27.2%	Decreased
Healthcare IT	6.1%	6.6%	Increased
Healthcare Technology	0.4%	1.8%	Increased
Managed Care	14.1%	14.2%	Increased
Med-Tech	18.6%	18.6%	Unchanged
Services	9.1%	9.2%	Increased
Tools	4.4%	4.6%	Increased
	100.0%	**100.0%**	

Source: Bloomberg/MSCI and Bellevue Asset Management (UK) Ltd. Weightings as of 31-03-21. Performance to 30-04-21.

Our net cash position rose slightly from 2.0% of gross assets to 3.1%. This was due mainly to inflows at month end and our desire to keep some dry powder through the Q1 reporting season, lest the opportunity to pounce on an aberrant share price reaction arises. The active investment portfolio of 29 stocks, excluding the Alder CVR is unchanged. We issued 4.8m shares via the tapping programme during April.

The Annual General Meeting took place virtually on 23rd April and all resolutions were passed. There was no update from the investment management team, although we did participate in an investor Q&A session. We thank you for the questions that were submitted.

One of the approved resolutions related to further issuance of new shares. As the Chairman noted in the Annual Report, both the Board and Bellevue, as Investment Manager are satisfied there is considerable headroom to grow the Company's assets without impacting its investment returns or liquidity position. Shares issued through placing and tap issues can only be issued at a premium to NAV, so there is no risk of dilution of shareholder's current or future economic interest from this activity and it has the secondary benefit of lowering the expense ratio and improving liquidity for those buying or selling shares in the Trust.

Managers' Musings

"Nobody knows if a stock's going up, down or sideways... least of all brokers..."

Stock-picking seems a simple enough concept. You identify companies which are trading below a conservative estimate of their net present value ("intrinsic value" to those who follow the Sage of Omaha, we use "fair value" here) and you wait. As Benjamin Graham famously noted (and Buffet loves to quote Graham), the stock market tends toward being a rational weighing machine in the longer term. In theory then, all one needs to do is wait and the problem will take care of itself.

Theory is all well and good, but life is often much messier than theory would have one believe. Another oft-quoted phrase comes from Keynes, who noted "the market can remain irrational longer than you can remain solvent". Furthermore, if the collective wisdom (such as it is) of your investment managers were ever to be distilled into a few select quotes, our observation would be that "value investing seldom works in healthcare". This is a growth-oriented sector and it has always rewarded growth more than value.

It is all well and good to have a process that quantifies net present value in some way, but the most important questions beyond this relate to asking how, why and when the market might recognise that it is 'wrong' and the valuation gap between the share price and the fair value will begin to close.

Beyond this, if one is not to be endlessly churning one's portfolio, the stocks selected must be able to accrete additional incremental value over time at a rate that justifies continuing to hold them given whatever intrinsic risks they carry. The artificer then, is not the one who can quantify the value alone, but time the re-rating to crystallise that value for their investors in a reasonable way that generates an acceptable IRR.

"...but we have to pretend we know"

Taking this argument to the next level, the investor thus needs to recognise the limited market power they have to move a share price. In the end, it is other people recognising that which you have spotted already that will close the valuation gap, making this a collective endeavour. Simply put, it is the consensus view that will ultimately drive the evolution of the share price.

These tipping points are often difficult to spot and so the logical approach is to have exposure relatively early and manage the journey through potential catalysts that might crystallise value. This is essentially what we do, picking undervalued compounders that fit within our broader top-down thematic of necessary healthcare change. Sometimes we are early to buy and sometimes early to sell. We also miss things from time to time because our due diligence processes are extensive.

The latter is frustrating, but surely not as frustrating as being caught out by owning something that contains a nasty surprise that you would have spotted had you done the work properly in the first place. We must have a process that is reproducible and that means it must be followed without exception.

We must also recognise that Keynes is right. It does not matter how much conviction we have that we are correct, the market will take its own sweet time. This can be expensive – capital has an opportunity cost. It can also be frustrating when you sell out of something because it has gone well beyond fair value and then it continues to go up, and up, and up.

"Sell me this pen"

This segues into the source of our current frustrations. The pandemic has been a dislocating event for investors but, at some point, the market should return to thinking about the normal reality of life and, attendant to this, the appropriate multiples to pay for growth in certain areas of the market.

Inasmuch as life still feels far from 'normal', the long-term consequences of the pandemic in the context of healthcare consumption are very limited. People will still get sick as they did before, with the same types of maladies and society will continue to struggle to manage the burden of an aging population. As such, the price of growth in any given sub-sector of healthcare should not really be very different to today.

Those of an academic persuasion might well counter with an argument about risk free rates. This is fair enough, so let us try to quantify that impact. If one looks toward the longer end of the maturity curve for US Treasury Bills as the closest thing to a risk free asset (say 10 year, 15 year and 30 year notes), the yield is 50-100bps lower today than it was in the halcyon days of 2019 normality.

Roughly speaking, the application of a lower discount rate to a discounted cash flow model for a proto-typical healthcare asset (long duration, so perhaps 60% of value in the Terminal period beyond FY10), means that every 100bp reduction in the risk free rate being applied adds around 15% to the fair value of such a company. So, perhaps one can argue that, all other factors being equal, one would be willing to pay 10% more for a given cash flow stream today than two years back, but one must also consider that the direction of US Treasury yields is upward, so that risk free rate will trend back toward those 2019 levels over the next few years.

One then needs to account for the time value of money: today's two-year forecast is now for the year 2022 not 2020, and the sales and profit streams of any growing company will be larger. That is probably worth another 15% or so, depending on what has happened to the financial outlook ad interim.

In summary, one can argue for higher asset prices today, compared to where we were in late 2019, but probably not more than say 20% more assuming the business has continued to evolve positively and allowing for the inevitable reversion of rates to more typical levels. Thus, anything trading well above 120% of 2019 levels on a comparable outlook implies that the earnings power of the company has been re-rated by the market and that is something that arguably requires justification.

"But if you can make your clients money at the same time it's advantageous to everyone, correct?"

The key phrase here is "all other factors being equal". Post pandemic, a pen is still just a pen. Unless the sedulous sell-side analyst chooses to bestow upon it heretofore recondite qualities. Alternatively, one might not notice a company has become absurdly over-valued due to the lack of, say, a robust financial model to allow one to discern such a point. In our experience, both circumstances have become irritatingly frequent occurrences over the past year.

We are genuinely losing track of the amount of times some analyst has recently told us "you don't understand" when they try and explain why their price target on a stock has gone up 5 or 10 fold in about two years. Its wearisome (and patronising). Usually, the "missing" element is an ethereal, qualitative aspect such as "the new [insert executive title] gets it" or some such nonsense. It's not as if we are discussing previously distressed assets here, we are talking about quality companies (otherwise, why would we be looking at them?).

Why is this happening? These days, lots of people talk about fees and expense ratios and driving down costs in asset management. This is not unreasonable, but there is a value chain. Less money in asset management means less money paid to brokers. They respond by cutting costs and re-focusing their efforts toward hedge fund clients who are still happy to pay handsome fees. In research, this has resulted in widespread 'juniorisation'. Here in Europe, the EU's MIFID-2 rules exacerbated this problem significantly. Thank goodness the bloc's love of unnecessarily complex bureaucracy hasn't impacted their pandemic response...

A senior analyst now covers ever more companies as a "name" but actually has an army of less experienced people doing the work because no-one on the sell-side can really cover more than a handful of companies alone because every event requires the publication of a note, no matter how immaterial that event might be. There is so much unnecessary reportage required. The buy-side is blissfully free of such constraints.

These pointless (and non-revenue generating) but necessary tasks means there is less time for detailed analysis and more pressure to support other, more lucrative, activities such as fundraisings, which further divert attention from doing the sort of longer-term work that we can do and which we feel is essential to understanding the value proposition that an investment represents.

We seldom bother looking at 'detailed' sell-side models etc.; you pay us to do our own work and that is what we do. When we do choose to look under the bonnet, it is typically because we don't understand why the collective view of the market is so different to our thoughts on intrinsic worth.

And what do we find? Forecasts that do not go beyond one or two years, models without working cashflows or balance sheets (who cares about actual cashflows, when you can look at non-GAAP EPS (aka "earnings before bad stuff or inconvenient expenses like actually paying our workers with share options that dilute existing owners"); models that conveniently back-solve to whatever guidance management has given and abstruse valuation determinants that do not link to business fundamentals. The willingness to overlook rational analysis is what allows situations like the recent Gamestop pile-on to happen (still trading ~10x where it was before the Reddit mob descended).

Why aren't more sell-side analysts brave enough to call the top? All the time that much-loved stocks continue to defy gravity, all is well; investors are making real money and could sell out if they chose to. Except that greed and fear (of missing out) mean that Mr Graham's prophetic words will come back to bite you and this could result in the same insolvency situation as Mr Keynes prophesised. It's all very depressing.

"Forward motion; that was the key. Run as fast as you can and don't look back"

As we have discussed our own appetite for a more typical portfolio construction through the easing of the pandemic in key Western markets, many shareholders have asked why we do not again own some of those much –loved stocks from the 2019 vintage.

If we cast our minds back to the end of November 2019 (for the first whisperings of what came to be known as SARS-CoV-2 arrived in December), we had Illumina as our top holding (7.3% of the portfolio) and Align at #2 (7.0%). Teladoc was at #4 (6.3%) and Intuitive Surgical at #9 (3.5%). Let us explain briefly below (prices and forecasts were as of 30th November 2019):

- **Illumina:** the shares were trading at $320. We forecast revenues of $4.9bn in 2022 and, at the margin, had some worries about the emerging competitive threat from BGI and Pacific Biosciences (another BBH holding). Consensus revenues for 2022 now stand at $4.6bn, consensus EBITDA is >20% below our previous forecast and could be substantially lower because of the R&D costs for GRAIL if the deal completes and the shares stand at $382.

  We are very happy not to be involved, and made a significant return in switching our focus onto Pacific Biosciences (before the valuation of that stock properly decoupled from reality). Per Bloomberg, there are currently 6 Buy recommendations, 9 Neutrals and 5 Sells, so at least there is some debate on where we go from here.

- **Align Technology:** the shares were trading at $277. We forecast 2022 revenues of $3.7bn and readers may recall that the stock had been oscillating between $200 and $400 as the market fretting about the emerging competitive threat from direct-to-consumer aligner products in various markets. Consensus revenues for 2022 now stands at $4.6bn (27% higher than our forecast, profits are expected to be 50% higher and the shares stand at $578; 109% higher.

  Align has fared much better than we feared through the pandemic, but we now struggle with the fact it is trading on 1.5x the forward multiples that prevailed at the end of 2019 and also that it can generate that much revenue in 2022, since the competitive dynamic is not obviously different to what it was before.

  This is a company we would be happy to own again, but only at the right price; one that takes account of the discretionary consumer-oriented nature of its business and the hyper-competitive environment. These concerns are a rarely cited now; on the recommendation side, the picture is more skewed than for Illumina: we see 11 Buys, 3 Neutrals and only 2 Sells.

- **Teladoc:** the shares were trading at $84. We forecast revenues of $1.1bn (~$1.7bn if one added in consensus expectations for Livongo, which Teladoc acquired in 2020). We really didn't like the Livongo business so that was one of the main reasons that we sold our remaining holding in July 2020 (at an already silly share price of $190, having been scaling back through Q2 2020 due to increasing valuation concerns and also broader competitive positioning/threats).

  Today, the 2022 revenue expectations stand at $2.0bn, EBITDA is 2x higher than our forecast but we have some reservations over the achievability of consensus and the general evolution. Teladoc is indisputably the Rolls Royce of Telemedicine tech. However, one need not walk far to realise that most people don't drive a Rolls and couldn't justify buying one.

  Meanwhile, the number of cheaper alternative options continues to mushroom, driven by the pandemic catalysing a huge uptick in investment targeted at developing similar solutions by existing and new players. Today, the shares stand at $159, not far above where we averaged out of our holding. We might consider buying them again somewhere in the double digits. We are almost alone it seems; Bloomberg suggests 22 Buys, 10 Neutrals and only one Sell recommendation.

- **Intuitive Surgical:** one should never be emotional about stocks, but this for us is far and away the most compelling business of the four listed above in terms of business model defensibility and management quality. If we had to pick one to repurchase (at the right level), it would be Intuitive. However, the valuation has always been something of a bugbear. In November 2020, the shares were at $593.

  We forecast 2022 revenues of $6.4bn and EBITDA of $3.0bn. Readers may recall the market was somewhat concerned that the revenue mix was deteriorating as ISRG sought to place as many robots as possible ahead of competition becoming a reality, so there were more trade-ins, discounts and leases being offered. We were happy with this strategy, but cognisant of its financial implications.

  Roll forward to today and 2022 revenue forecasts now stand at $6.2bn and EBITDA at $2.5bn. Given the depressed environment for hospital capex due to the pandemic, this reduced outlook seems more than reasonable. The $847 share price? Not so much. Whilst we foresaw the earnings cuts/push out, we did not expect the multiple to expand in the face of it. Despite the upward re-rating, the bias of opinion remains positive, with 13 Buys, 8 Neutrals and only two Sell recommendations.

We hope the above explanation briefly outlines why the portfolio has not reverted to the holdings of yesteryear. There are some great businesses listed here, but everything has a fair value. Equally, some companies have shifted their strategic direction and are less appealing today than we found them previously. It is easy to look at the share price chart of one company and think the Managers sold it too early (or too late) but it becomes impossible for the outsider to follow where that capital is deployed to, making the total long-term return from the portfolio as a whole the only relevant metric.

We always appreciate the opportunity to interact with our investors directly and you can submit questions regarding the Trust at any time via:
shareholder_questions@bbhealthcaretrust.co.uk

As ever, we will endeavour to respond in a timely fashion. We thank you for your support of BB Healthcare Trust.

Paul Major and Brett Darke

BB Healthcare Trust

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Standardised discrete performance (%)					
	1 year	2 years	3 years	4 years	since
12-month total return	Apr 20 - Apr 21	Apr 19 - Apr 21	Apr 18 - Apr 21	Apr 18 - Apr 21	inception
NAV return (inc. dividends)	40.5%	51.3%	92.6%	95.8%	122.5%
Share price	37.5%	52.5%	90.8%	96.6%	118.6%
MSCI WHC Total Net Return Index	9.8%	32.3%	52.0%	55.4%	71.5%

Sources: Bloomberg & Bellevue Asset Management (UK) Ltd., 30.04.2021

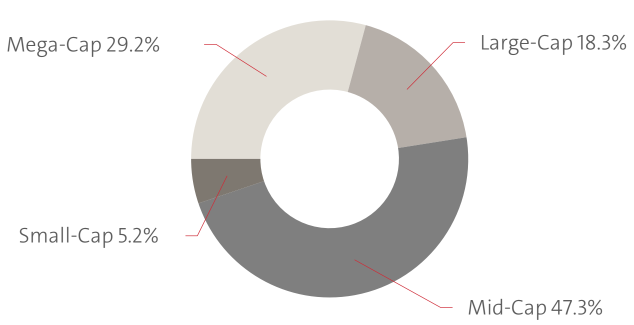
All returns are adjusted for dividends paid during the period, assuming reinvestment in relevant security.

Note: Past performance is not a guide to future performance. The value of an investment and the income from it may fall as well as rise and is not guaranteed

TOP 10 HOLIDINGS	
Bristol Myers Squibb	7.1%
Vertex Pharmaceuticals	6.5%
Insmed	6.4%
Jazz Pharmaceuticals	6.3%
Anthem	5.7%
Hill-Rom Holdings	5.6%
Humana	4.7%
Bio-Rad Laboratories	4.6%
Charles River	4.4%
Alnylam Pharmaceuticals	4.2%
Total	**55.0%**

Source: Bellevue Asset Management, 30.04.2021

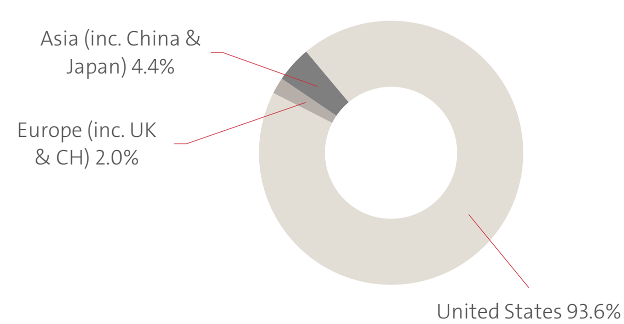
MARKET CAP BREAKDOWN



Source: Bellevue Asset Management, 30.04.2021

"Mega Cap >$50bn, Large Cap >$10bn, Mid-Cap $2-10bn, Small-Cap <$2bn."

GEOGRAPHICAL BREAKDOWN (OPERATIONAL HQ)



Source: Bellevue Asset Management, 30.04.2021

Sustainability Profile – ESG

Norms-based exclusions:	X Compliance UNGC, HR, ILO	X Controversial weapons
ESG Risk Analysis:	X ESG Integration	Best-in-Class
Stewardship:	X Engagement	X Proxy Voting

CO2 intensity (t CO2/mn USD sales): 21.9 t (low) MSCI ESG coverage: 98%

Based on portfolio data as per 31.03.2021 (quarterly updates) – ESG data base on MSCI ESG Research and are for information purposes only; compliance with global norms according to the principles of UN Global Compact (UNGC), UN Guiding Principles for Business and Human Rights (HR) and standards of International Labor Organisation (ILO); no involvement in controversial weapons; ESG Integration: Sustainabiltiy risks are considered while performing stock research and portfolio construction; Best-in-class: systematic exclusion of "ESG laggards". Note: in certain cases the ESG rating methodology may lead to a systematic discrimination of companies or industries, the manager may have good reasons to invest in supposed "laggards". The CO2 intensity expresses MSCI ESG Research's estimate of GHG emissions measured in tons of CO2 per USD 1 million sales; for further information c.f. www.bellevue.ch/en/corporate-information/sustainability

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INVESTMENT FOCUS

- The BB Healthcare Trust invests in a concentrated portfolio of listed equities in the global healthcare industry (maximum of 35 holdings)
- Managed by Bellevue group ("Bellevue"), who manage BB Biotech AG (ticker: BION SW), Europe's leading biotech investment trust
- The overall objective for the BB Healthcare Trust is to provide shareholders with capital growth and income over the long term
- The investable universe for BB Healthcare is the global healthcare industry including companies within industries such as pharmaceuticals, biotechnology, medical devices and equipment, healthcare insurers and facility operators, information technology (where the product or service supports, supplies or services the delivery of healthcare), drug retail, consumer healthcare and distribution
- There will be no restrictions on the constituents of BB Healthcare's portfolio by index benchmark, geography, market capitalisation or healthcare industry sub-sector. BB Healthcare will not seek to replicate the benchmark index in constructing its portfolio
- The Fund takes ESG factors into consideration while implementing the aforementioned investment objectives

DISCLAIMER

FIVE GOOD REASONS

- Healthcare has a strong, fundamental demographic-driven growth outlook
- The Fund has a global and unconstrained investment remit
- It is a concentrated high conviction portfolio
- The Trust offers a combination of high quality healthcare exposure and targets a dividend payout equal to 3.5% of the prior financial year-end NAV
- BB Healthcare has an experienced management team and strong board of directors

MANAGEMENT TEAM

Paul Major

Brett Darke

GENERAL INFORMATION

Issuer	BB Healthcare Trust (LSE main Market (Premium Segment, Offical List) UK Incorporated Investment Trust
Launch	December 2, 2016
Market capitalization	GBP 1,036 million
ISIN	GB00BZCNLL95
Investment Manager	Bellevue Asset Management (UK) Ltd.; external AIFM
Investment objective	Generate both capital growth and income by investing in a portfolio of global healthcare stocks
Benchmark	MSCI World Healthcare Index (in GBP) - BB Healthcare Trust will not follow any benchmark
Investment policy	Bottom up, multi-cap, best ideas approach (unconstrained w.r.t benchmark)
Number of ordinary shares	527 244 466
Number of holdings	Max. 35 ideas
Gearing policy	Max. 20% of NAV
Dividend policy	Target annual dividend set at 3.5% of preceding year end NAV, to be paid in two equal instalments
Fee structure	0.95% flat fee on market cap (no performance fee)
Discount management	Annual redemption option at/close to NAV
EU SFDR 2019/2088	Article 8

CONTACT

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